

## Message Text

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73

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 HEW-08 AGR-20 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

DRC-01 /191 W

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R 051301Z APR 74

FM AMEMBASSY DUBLIN

TO SECSTATE WASHDC 5531

INFO USMISSION BRUSSELS

AMEMBASSY BRUSSELS

AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION OECD PARIS

AMCONSUL BELFAST

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E.O. 11652: N/A

TAGS: ECON/EFIN/ELRP/EI

SUBJECT: BUDGET FURTHERS SOCIAL REFORMS

SUMMARY: GOI HAS PRESENTED BUDGET OF MUCH INTEREST SOCIALLY AND POLITICALLY. IT CONTINUES REFORMS IN WELFARE AND TAX STRUCTURE, EVEN EXTENDING INCOME TAX TO FARMERS FOR FIRST TIME. GOI ACTUALLY APPEARS TO BE GROWING MORE LIBERAL IN OFFICE, THOUGH ITS STEPS ARE CAUTIOUS AND PRAGMATIC. ECONOMICALLY, BUDGET IS LESS IMPRESSIVE. IT APPEARS MILDLY LIMITED OFFICIAL USE

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INFLATIONARY, BUT AT FIRST GLANCE, IT DOES NOT STIMULATE

GROWTH IN OTHER RESPECTS. END SUMMARY.

1. ON APRIL 3, GOI INTRODUCED IN DAIL NEW BUDGET WITH THREE AIMS: (1) PROMOTION OF ECONOMIC GROWTH, (2) CONTINUATION OF SOCIAL REFORM, AND (3) BETTER DISTRIBUTION OF TAX BURDEN. THE LAST TWO SOCIO-POLITICAL OBJECTIVES ARE MOST IMPORTANT FEATURES AND INCLUDE TAX REFORMS AND REVISION OF TAX STRUCTURE. INCOME TAX HAS BEEN EXTENDED TO FARMERS FOR FIRST TIME IN HISTORY OF REPUBLIC. ONLY HIGHEST FIVE PERCENT OF FARMERS WILL BE AFFECTED THIS YEAR, BUT FARMERS NATURALLY EXPECT DEEPER CUTS IN FUTURE. BUDGET ALSO PROVIDES SOME MODEST RELIEF FROM INCOME TAX FOR LOW-PAID WORKERS. IMPLEMENTATION OF IRELAND'S FIRST CAPITAL GAINS TAX IS ANNOUNCED, AND THERE IS INCREASE IN WELFARE BENEFITS. (GOVERNMENT WAS DOUBTLESSLY CONSCIOUS OF NEED TO CLOSE WELFARE GAP BETWEEN REPUBLIC AND NORTHERN IRELAND, HAVING IN MIND WISH FOR IRISH UNITY.)

3. BECAUSE OF CHANGES IN TAX STRUCTURE, BUDGET WILL REQUIRE DETAILED STUDY. AT FIRST GLANCE, HOWEVER, WE SUSPECT THAT IT MAY PROVE LESS IMPRESSIVE ECONOMICALLY THAN POLITICALLY. WE WOULD NOT BE SURPRISED TO SEE TIGHTER BUDGET NEXT JANUARY. (NEXT BUDGET COMES IN ONLY NINE MONTHS, SINCE GOI IS CHANGING FISCAL YEAR TO COINCIDE WITH CALENDAR YEAR.) CURRENT BUDGET APRIL-DECEMBER 1974 CALLS FOR EXPENDITURE OF 728 MILLION POUNDS STERLING, WITH DEFICIT OF 76 MILLION POUNDS. THIS DOES NOT INCLUDE A PUBLIC CAPITAL BUDGET SET AT 282 MILLION. THE DEFICIT, ALLIED TO RISING CAPITAL EXPENDITURE, MEANS THAT GOI WILL HAVE TO RESORT TO HEAVY FOREIGN BORROWING. THIS SHOULD ACT AS A TIMULUS TO THE ECONOMY, WHOSE GROWTH RATE IS PROJECTED TO BE SOMEWHAT LESS THAN 4 PERCENT THIS YEAR, BUT IT WILL ALSO FAN INFLATION, WHICH IS EXPECTED TO REACH 14 PERCENT.

4. OPPOSITION FIANNA FAIL PARTY SPOKESMAN IMMEDIATELY ATTACKED BUDGET IN REMARKABLY STRONG TERMS, CALLING IT FRAUDULENT AND SOCIALIST. INDEPENDENT COMMENTATORS SEE NO SUCH EXTREMES. PUBLIC REACTION APPEARS GENERALLY GOOD -- EXCEPT FOR FARMERS' REPRESENTATIVES, WHO ARE ANGRY. IRISH CONGRESS OF TRADE UNIONS WELCOMES MOST PROVISIONS IN BUDGET BUT REGRETS THAT LOW-PAID WORKERS WERE NOT GIVEN FURTHER TAX RELIEF. PRESS REACTION GOOD EXCEPT FOR OPPOSITION-CONTROLLED "IRISH PRESS," WHICH LIMITED OFFICIAL USE

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TAKES PARTISAN LINE.

5. COMMENT: IT IS WORTH NOTING THIS UNUSUAL INSTANCE OF PARTIES IN POWER MOVING FURTHER TO LEFT WHILE OPPOSITION MOVES RIGHT. IRISH BUDGET CONTINUES PURPOSEFUL TREND TOWARD SOCIAL REFORM, GIVING MORE ENCOURAGEMENT OF LEFT WING OF GOVERNING PARTIES THAN TO CONSERVATIVES. AT SAME TIME, MOVES TOWARD REFORM ARE PRAGMATIC. WE CANNOT SEE PM LIAM COSGRAVE AS

DOCTRINAIRE SOCIALIST.

6. SINCE MOST OF THE ANNOUNCED REFORMS ARE POPULAR AND OVER-DUE, SEEMS TO US THAT FIANNA FAIL IS NOT DOING ITSELF ANY GOOD BY BLANKET OPPOSITION. IT MAY, HOWEVER, FIND AN OPENING WITH FARMERS, MANY OF WHOM SUPPORTED FINE GAEL IN LAST GENERAL ELECTION.

MOORE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** GOVERNMENT BUDGET, ECONOMIC GROWTH, POLITICAL SITUATION, TAXES, SOCIAL CHANGE  
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**Copy:** SINGLE  
**Draft Date:** 05 APR 1974  
**Decaption Date:** 01 JAN 1960  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Disposition History:** n/a  
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**TAGS:** ECON, EFIN, ELAB, EI  
**To:** STATE  
**Type:** TE  
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